The Indiana State Police Pension Trust Audit Report
RFP Number 16-01
Questions and Answers by March 21, 2016

In addition to answers to the following questions, here is a link to the 2015 CAFR for your reference. http://www.in.gov/auditor/2578.htm
Relevant pages are: 71-73, 102-107, 146,155,163

1. Has the investment composition changed since the most recent audited financial statements included in the State CAFR?

   A: No

2. Who is the master custodian for the investments?

   A: BNY Mellon

3. Are monthly financials prepared or at a minimum monthly investment statements available to help in auditing the money-weighted rate of return calculation?

   A: Yes

4. Is there a general ledger maintained for the plan or is the accounting done outside of general ledger software?

   A: There is a general ledger maintained in-house. We use the Mas90 software.

5. Page 73 of the State of Indiana CAFR discusses that the State Employee Retiree Health Benefit Trust Fund-DB is included within the State Police Pension Fund. Is this included in this RFP to be audited?

   A: No

6. Page 9 #9 on the RFP discusses providing findings of noncompliance. Typically governmental defined benefit plans are not performed under Government Auditing Standards; is this required for this plan audit?

   A: No

7. What actuary performs the GASB 67 valuation; is the most recent valuation available? Are you planning on continuing to use a 1-year lag for measurement date? When will this report be available for the 2016 audit?

A: McCready & Keene is our actuary. Both GASB 67 and GASB 68 information will be available on October 1, 2016. The GASB 68 information will be on a 1 year lag.

8. Will the plan apply for the GFOA's Certificate of Achievement for Excellence in Financial Reporting? If so, who prepares the CAFR?

   A: No

9. Does the Plan anticipate issuing single year or comparative financials?

   A: We anticipate this to be single year financials.

10. Do you have a security lending agreement with the master custodian?

    A: We are not lending any of securities at this time.

11. Are investments managed in-house and if so how many money managers are there? If external money managers are used do they provide proof of annual E&O coverage?

    A: We use external money managers for all investments, and yes, they provide proof of annual E&O coverage.

12. Are there any alternative investments that have a time lag in reporting? What is the process to ensure adequate valuation for these at year-end?

    A: There is a little lag, so we use the market values as posted by our custodian at year end.

13. Does the plan maintain its own internal control documentation?

    A: No

14. Are monthly payroll files maintained in excel for benefit payments that have a common identifier such as social security number or employee ID number? If so, would these be available for both 2015 and 2016 to help in auditing benefit payments?

    A: They are not maintained in EXCEL, but would be electronically available.

15. Are participant data files maintained electronically that can be shared through a secure means?

    A: Some information would be available electronically, while other data might be accessible in individual participant files folders.

16. Does the plan have the capabilities of estimating benefit payments for retirees or is an actuary relied on for these?

    A: Yes, there is a program for estimating benefit payments.

17. On page 11 of the RFP, there is reference made to "Financial strength" being one of the evaluation criteria. Please explain how this will be evaluated and what you are looking for us to include in our proposal to address this.

    A: The Treasurer's staff will evaluate the list of pending lawsuits provided under Section 2.3.3, particularly those related to accounting malpractice, when evaluating the financial strength of a respondent.

18. There are two potential issues with the proposed contract language, which for an audit engagement may result in an independence issue. We therefore request an opportunity to discuss these issues directly in order to explain why this is the case and how we would propose to revise the language.

    A: Please indicate which sections of the proposed contract may result in an independence issue for audit engagement. The Essential Clauses outlined on page 12 of the RFP cannot be modified. Other sections may be changed as deemed appropriate for both parties.

19. Does this plan file a 5500 return or the Trust file a 990 return?

    A: The Trust is not required to file either of these returns.

20. Are previously audited financial statements available?

    A: No, these financial statements are included in the State's CAFR which is audited by the Indiana State Board of Accounts as a whole, but do not express an opinion on these financial statements independently.

21. Please confirm the Section 1.7 and 2.1 - Appears that there is conflicting information on the number of electronic copies

    A: One hard copy and three electronic copies.

22. Section 2.33 – List of all lawsuits……….. Please clarify the intent of requesting a listing of all law suits and their subject matter and status. This information can't be provided when there is no guarantee of treatment of confidentiality. Can we assume you are looking for specific information pertaining to the second sentence of this paragraph only as it relates to the ability our firm to provide audit services?

A: We feel that requesting lawsuits pending as of January 2009 is a necessary step in our due diligence process. However, we can narrow the scope of our request. Please provide lawsuits, pending as of January 2009, related to accounting malpractice, specifically any actions or omissions that deviated from the General Accepted Accounting Principles. Furthermore, Section 1.9 of the RFP may provide assistance on what information can be classified as confidential.

23. Section 3.1 - Is an unaudited financial statement available or trial balance? Chart of Accounts?

    A: Yes, year-end financial statements are prepared in-house by a Treasurer of State employee who is a CPA.

24. Section 3.1 - Who is the actuarial firm?

    A: McCready & Keene

25. Section 3.1 - Is there a third party administrator for benefits and contributions?

    A: No

26. Section 3.1 - What level and type of internal control documentation is available related to the plan? Please describe.

    A: There is no internal control documentation.

27. Section 3.1 - What documentation is available related to use of information technology for the pension plan and internal control documentation.

    A: There isn't any.

28. Section 3.1 - What accounting system is used for the pension plan? State PeopleSoft or does pension have its own accounting.

    A: We use a system called Mas90.

29. Section 3.1 - Section 3.1 – Who conducts the day to day activities of the pension contributions and benefit transaction? Please describe the parties that participate and their roles.

    A: Within the State Police Department there is a Pension Administrator, DROP Administrator, and a HR department. Within the Treasurer's office, as Trustee, we have a CPA. The Payroll Department in the Auditor of State's Office is also involved with maintaining records. All individuals work closely together.

30. Section 3.1 - Item 1 - Please confirm whether we are auditing the June 30, 2015 or the June 30, 2016 financial statements or both years?

    A: June 30, 2016 only.

31. Section 3.1 - Item 1 - Will SBOA, as predecessor auditor, be available to discuss review of audit documentation work papers, opening balances and materiality applied to these fiduciary funds.

    A: They said they could be available for any discussions, but wouldn't have any work papers or assurances of the opening balances since they didn't audit the Trust as a separate fund.

32. Section 3.1 - Item 10 - Please describe the role and responsibilities of the Pension Advisory Board.

    A: The Pension Advisory Board consists of the Superintendent of the Department of State Police (chairman); a representative of the Pension Consultants, and the Trustee (Treasurer of State), who both shall serve on a nonvoting basis; three active troopers who shall be elected by active troopers. The duties of this Board shall be to approve pensions, adjust compensation used for Plan purposes, formulate policies and assist in the administration of these Plans.

33. How many hours were spent on the work by the SBOA in previous years?

    A: Because they didn't audit these financial statements independently, the hours they spent related to any type of audit procedures on the State Police Pension Trust would not be useful for estimating the required hours for this engagement.

34. Relating to the Standard Contract Agreement, there are some provisions of the contract that are inconsistent with the professional standards of the AICPA and GAO. Are you willing to modify those provisions?

    A: Please state which sections of the standard contract are inconsistent with the professional standards of the AICPA and the GAO. The Essential Clauses outlined on page 12 of the RFP cannot be modified. Other sections may be changed as deemed appropriate for both parties.

35. How many years will the standard contract apply or be renewable?

A: There is no statutory term limit on service contracts. However, as a matter of policy, we retain a four-year limit, but are willing to discuss longer terms on a case by case basis.

36. Is the use of a minority, women or veteran subcontractor required?

    A: While not mandatory, we encourage the use of this cause.

37. What is the date that all account reconciliations are complete, books are closed and the entity is ready for audit fieldwork?

    A: The financial statements will be available by 9/1/16, while the 7/1/16 Actuarial Study will be available on 10/1.

38. Have there been any significant changes in personnel, internal control or operations in the last year? If so, please describe.

    A: No